

# **Audit**



# **Report**

OFFICE OF THE INSPECTOR GENERAL

**CONGRESSIONAL REQUEST FOR AUDIT AT  
U. S. ARMY CONTRACT ADMINISTRATION SERVICES  
BRANCH OFFICE, TEL AVIV, ISRAEL**

Report Number 92-044

February 13, 1992

**Department of Defense**

**The following acronyms are used in this report.**

ACO.....	Administrative Contracting Officer
AFCMC.....	Air Force Contract Maintenance Center
CAS.....	Contract Administration Services
CECOM.....	U.S. Army Communications Electronics Command
DCIS.....	Defense Criminal Investigative Service
DCMAO.....	Defense Contract Management Area Office
DCMC.....	Defense Contract Management Command
DCMCI.....	Defense Contract Management Command International
DCSC.....	Defense Construction Supply Center
DFARS.....	Defense Federal Acquisition Regulation Supplement
DLA.....	Defense Logistics Agency
DLAM.....	Defense Logistics Agency Manual
DPSC.....	Defense Personnel Support Center
FAR.....	Federal Acquisition Regulation
FIRMR.....	Federal Information Resources Management Regulations
JTR.....	Joint Travel Regulations
PAS.....	Preaward Survey
PCO.....	Procuring Contracting Officer
QAR.....	Quality Assurance Representative
TDY.....	Temporary Duty
USACCE.....	U.S. Army Contracting Command Europe
USACIDC.....	U.S. Army Criminal Investigation Command
USAREUR.....	U.S. Army Europe



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DEPARTMENT OF DEFENSE  
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February 13, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL  
MANAGEMENT)  
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Congressional Request for Audit at U.S. Army Contract  
Administration Services Branch Office, Tel Aviv,  
Israel (Report No. 92-044)

We are providing this final report for your information and use. Management comments on a draft of this report were considered in preparing the final report. We made the audit at the request of Representative Nicholas Mavroules concerning a complaint about procedures and practices at the U.S. Army Mid-East Contract Administration Services (CAS) Branch, Tel Aviv, Israel. The Mid-East CAS Branch was consolidated into the Defense Contract Management Area Office (DCMAO) Tel Aviv, Israel.

The audit showed that of 10 allegations, 7 were unfounded. One of the substantiated allegations, which covered the lack of internal controls applicable to the approval of progress payments, was addressed in IG, DoD, Report No. 91-113, "Processing Progress Payments in Tel Aviv, Israel and in Heidelberg, Germany," August 7, 1991. One allegation involving management interference with the results of a preaward survey was turned over to the Department of the Army and the Defense Contract Management Command to determine if further actions were necessary. The remaining allegation (on travel practices to Israel) is covered in Part III of this report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, we request that the Director, Defense Logistics Agency, provide final comments on the unresolved recommendation and potential monetary benefits by April 13, 1992. DoD Directive 7650.3 also requires that comments indicate concurrence or nonconcurrence in the finding and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, you must state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements. Recommendations and potential monetary benefits are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment.

We appreciate the cooperation and courtesies extended to the audit staff. If you desire to discuss this final report, please contact Mr. Wayne K. Million, Program Director at (703) 614-6281 (DSN 224-6281) or Ms. Stephanie F. Mandel, Deputy Project Manager at (703) 614-6274 (DSN 224-6274). Copies of the report will be distributed to the activities listed in Appendix F.



Edward R. Jones  
Deputy Assistant Inspector General  
for Auditing

Enclosure

cc:

Secretary of the Army  
Assistant Secretary of the Army (Procurement)  
Director, Defense Contract Management Command

Office of the Inspector General

AUDIT REPORT NO. 92-044  
(Project No. OCD-0067.01)

February 13, 1992

CONGRESSIONAL REQUEST FOR AUDIT AT  
U.S. ARMY CONTRACT ADMINISTRATION SERVICES  
BRANCH OFFICE, TEL AVIV, ISRAEL

EXECUTIVE SUMMARY

**Introduction.** The audit resulted from a congressional request to verify allegations received from a former employee of the U.S. Army Mid-East Contract Administration Services (CAS) Branch Office, Tel Aviv, Israel. The Mid-East CAS Branch was consolidated into the Defense Contract Management Area Office Tel Aviv, Israel. There were 10 allegations involving contracting and personnel practices at the Mid-East CAS Branch, Tel Aviv, the U.S. Army Europe Contracting Center, Frankfurt, Germany, and the U.S. Army Communications Electronics Command, Fort Monmouth, New Jersey. Since some of the allegations potentially included criminal involvement, the U.S. Army Criminal Investigation Command and the Defense Criminal Investigative Service provided investigative support.

**Objective.** The audit objective was to evaluate the validity of the 10 allegations forwarded by Representative Mavroules. The audit also reviewed the adequacy of internal controls applicable to the 10 allegations.

**Audit/Investigation Results.** The joint audit and investigation showed that 4 of the 10 allegations were unfounded. Three of the allegations initially appeared to have merit; however, an in-depth review disclosed extenuating circumstances that resulted in these allegations being unfounded. One allegation is reported separately in IG, DoD, Report No. 91-113, "Processing Progress Payments in Tel Aviv, Israel and Heidelberg, Germany," issued August 7, 1991. That report discusses an administrative contracting officer who improperly approved progress payments that were prohibited by the Federal Acquisition Regulations and contract provisions. One allegation regarding management interference with the results of a preaward survey is valid; however, we found no adverse effect. Information relating to this allegation was forwarded to the Department of the Army and Defense Contract Management Command for further review. The remaining allegation was determined to be valid. An employee on temporary duty travel to Israel was overpaid per diem. In addition, another employee was directed to act as the driver to accompany that employee on his tour of Jerusalem. As a result, per diem was overpaid and the Government lost a day's work for each employee.

**Internal Controls.** Except as reported in IG, DoD, Report No. 91-113, no internal control deficiencies were identified.

**Potential Benefits of Audit.** The recoupment of overpaid travel expenses will result in a small amount of monetary benefits. Potential benefits of audit are discussed in Appendix D.

**Summary of Recommendations.** We recommended that unauthorized travel expenses be recovered and that appropriate administrative disciplinary actions be taken.

**Management Comments.** The Acting Director, U.S. Army Contracting Support Agency, provided comments and stated that appropriate administrative action has already been taken against the former CAS Branch Chief. The Chief, Internal Review Division, Defense Logistics Agency, nonconcurred with the recommendation to recover the unauthorized travel expenses or to initiate disciplinary action. The Chief stated that because of the length of time that has elapsed and the nature of the offense, it does not appear that a recovery would be cost-effective. Management comments are summarized in Part II of this report, and the complete text of the response is in Part V.

**Audit Response.** We believe that the comments provided by the Army are completely responsive to the recommendation. The DLA comments are not responsive and set the negative precedent of absolving the employee wrongdoing simply because it would "not be cost effective to pursue." Accordingly, we request that the Director, Defense Logistics Agency, reconsider his position and provide comments to the final report by April 13, 1992.

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This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of this report can be obtained from the Information Officer, Audit Planning and Technical Support Directorate, (703) 693-0340 (DSN 223-0340).

## PART I - INTRODUCTION

### Background

At the beginning of the audit, the U.S. Army Mid-East Contract Administration Services (CAS) Branch Office, Tel Aviv, and the U.S. Air Force Contract Maintenance Center (AFCMC), Detachment 32, Tel Aviv, administered contracts in Israel. As of February 6, 1990, Defense Logistics Agency (DLA) General Order 4-90, established the Defense Contract Management Command (DCMC). As of September 18, 1990, DLA General Order 30-90, transferred AFCMC, with the exception of its Directorate of Contract Management, from the Air Force Logistics Command, to DCMC, establishing the Defense Contract Management Command International (DCMCI). Implementation of General Order 30-90 also established the Defense Contract Management Area Office (DCMAO), Tel Aviv, under the DCMCI, consolidating the Army Mid-East CAS Branch and Detachment 32, AFCMC. DCMAO, Tel Aviv, is responsible for the performance of contract administration functions, as defined in the Federal Acquisition Regulation (FAR) part 42, for contracts awarded to contractors in Israel.

### Objectives

In response to a congressional request, the objective of the audit was to determine whether allegations submitted by a former employee were valid.

On April 17, 1990, the Inspector General, DoD, received a congressional request (Appendix A) from Representative Nicholas Mavroules, Chairman, House Subcommittee on Investigations, Committee on Armed Services, to review procedures and activities at the U.S. Army CAS Branch, Tel Aviv, Israel. This request resulted from a complaint submitted by a former employee of the U.S. Army Mid-East CAS Branch office, which included 10 allegations concerning procedures and practices in Israel and other European theater operations (Appendix B).

### Scope

The audit was limited to the procedures and practices questioned by the complainant. Computer-generated data were not used and, accordingly, were not evaluated. During verification of the validity of the allegations, data were obtained from other activities, either directly by the auditors or by investigators supporting the audit. Those other activities are listed in Appendix E.

This economy and efficiency audit was performed at the Mid-East CAS Branch Office, Tel Aviv, Israel, from July 1990 through April 1991 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the



Inspector General, DoD. Accordingly, the audit included such tests of the internal controls as were considered necessary.

### Internal Controls

Our audit included a review of the implementation of the FAR, the Defense Federal Acquisition Regulation Supplement (DFARS), the Defense Logistics Agency Manual (DLAM), and the Joint Travel Regulations (JTR) requirements. Except as reported in IG, DoD, Report No. 91-113, no internal control deficiencies were identified.

### Prior Audits and Other Reviews

There were no recent audits identified applicable to the Mid-East CAS Branch. At the same time that the complainant forwarded his allegations, an anonymous source provided information concerning one of the same allegations to the U.S. Army Criminal Investigation Command (USACIDC). The USACIDC began an investigation just before the start of our audit. Since several of the allegations involved potential criminal activity, we agreed to work jointly with the USACIDC on all allegations. The Defense Criminal Investigative Service (DCIS) was requested to assist in two reviews of allegations that directly involved DLA activities. Reports initiated by USACIDC and DCIS are listed in Appendix C. One of the ten allegations was covered in IG, DoD, Report No. 91-113, "Processing Progress Payments in Tel Aviv, Israel and Heidelberg, Germany," August 7, 1991. Details of that report are discussed on page 4.

## PART II - RESULTS OF REVIEW

### CONGRESSIONAL COMPLAINTS

On March 30, 1990, the complainant forwarded a letter containing 10 allegations, considered by the complainant to be "irregularities and illegal activities being committed here in Israel, at our headquarters in Frankfurt and at other remote locations within the European Theater of Operations." With the assistance of USACIDC, we reviewed each of the allegations discussed below.

#### 1. Retaliation in the Form of Administrative Actions

Allegation. "Retaliation, in the form of administrative actions which are expressly prohibited by the Whistle Blower Protection Act of 1988, was committed against me because I reported improper activities."

Background. The complainant was selected for the position of industrial specialist at the Mid-East CAS Branch, Tel Aviv, Israel, and reported for duty April 26, 1989. Shortly after his arrival, it appeared to the complainant that the office was "running wild with no supervision" from the Branch Chief.

One of the complainant's particular concerns was that the Branch transportation specialist was getting involved in areas outside her jurisdiction. The complainant brought this issue to the attention of the Branch Chief. By November 1989, the complainant decided that the Branch Chief was not taking action to ensure that the transportation specialist did her job properly. Consequently, the complainant sent a letter on this issue up the chain of command to the Production Chief at U.S. Army Europe (USAREUR) Contracting Center, Frankfurt, Germany. Management at the USAREUR Contracting Center ruled that the complaint was without merit.

As a result of the complainant's letter writing, the Branch Chief sent the complainant a letter of admonishment, dated January 8, 1990, pointing out that:

As you know from previous conversations we have had, it is critical that this office maintain a close and cordial relationship with the American Embassy, Detachment 32 and a variety of other organizations. Divisive activity on the part of any USACCE [U.S. Army Contracting Command Europe] employee could seriously effect these relationships and cannot be tolerated.

On January 17, 1990, the complainant was directed to leave Israel because it was determined that he had "not adjusted to the

environment in Israel." Subsequent to that action, on March 30, 1991, the complainant forwarded a letter to the U. S. House of Representatives. (see Appendix B).

**Conclusion.** The Whistle-Blower Protection Act of 1988 applies when improper activities are reported outside the employees' organization, to groups such as Congress, the IG, DoD, or investigative organizations. The complainant did not report the allegations outside his organization until after he was requested to leave Tel Aviv; therefore, the Whistle-Blower Protection Act does not apply. This allegation was unfounded.

## **2. Business Practices**

**Allegation.** "Failure to investigate improper business practices and personal conflicts of interest in violation of the Federal Acquisition Regulation (FAR); specifically, FAR 3.203 were common place."

**Background.** On arriving at the Mid-East CAS Branch, Tel Aviv, the complainant worked with the departing Quality Assurance Representative (QAR) for approximately 90 days. The complainant alleged that the departing QAR had an improper relationship with an Israeli contractor, but had no specific knowledge of any improper conduct.

**Conclusion.** FAR 3.203 covers the reporting of suspected violations of the gratuities clause. When contacted, the complainant could not provide any specific incident to support his allegation. USACIDC agents reviewed the allegation and did not identify any indications of improprieties relative to gratuities. Therefore, we concluded that this allegation was unfounded.

## **3. Processing of Progress Payments**

**Allegation.** "Payment of progress payments on all contractor requests were done without adequate review and scrutiny, in violation of FAR 32.503-5."

**Background.** The complainant alleged that administration of progress payments at the Mid-East CAS Branch, Tel Aviv, was being mismanaged. For example, the complainant reported to the DoD Hotline that progress payments were made to Tadiran Ltd. based on false claims. In November 1989, within 2 weeks of the start of contract DAAB07-89-C-T061, Tadiran submitted a progress payment for \$1,284,000, which represented 10,000 hours of labor. The complainant accused Tadiran of submitting false claims and requested that the Administrative Contracting Officer (ACO) take action against Tadiran. Instead, the ACO had Tadiran withdraw its progress payment request. In December 1989, the ACO approved Tadiran's resubmitted progress payment request for the identical

amount for parts and materials. Approximately \$700,000 of those parts were purchased 18 months before the contract was awarded.

**Results of Review.** Letter Contract DAAB07-89-C-T061 was executed September 15, 1989, with Tadiran Ltd. for production of 1,509 of RT-524A/VRC Radio Set Series and 838 of RT-246A/VRC Radio Set Series. On October 22, 1989, (not November 1989, as alleged), Tadiran submitted progress payment request number 1 for \$1,899,490, of which \$1,697,156 was for materials, and \$202,334 was for 10,000 hours of labor. The ACO at the Mid-East CAS Branch returned the progress payment request to Tadiran and explained that the letter contract did not have a provision for progress payments, but a modification would be issued shortly authorizing progress payments. The ACO advised Tadiran not to include the cost associated with the 100 RT-524A radios, which it currently had in stock, that it should ship the radios as soon as possible, and that payment would be made by separate invoice. On December 11, 1989, Tadiran resubmitted the progress payment request for \$1,284,296 for costs of new materials obtained through November 30, 1989. Costs associated with the 100 RT-524A radios were not included. Subsequently, the 100 radios were shipped and invoiced separately. In our opinion, the ACO handled this progress payment request properly, and the complainant's allegation on this contract was unfounded.

Inspector General, DoD, Audit Report No. 91-113, "Processing Progress Payments in Tel Aviv, Israel and in Heidelberg, Germany," dated August 7, 1991, further addressed the procedures and practices for processing progress payments. The report stated that the ACO improperly approved 53 progress payments totaling \$11.5 million that were specifically prohibited by the contracts. These progress payments were improperly approved because there were no internal controls and because local procedures circumvented regulatory requirements. As a result, the U.S. Government lost \$547,831 in interest.

Although the details reported by the complainant were not entirely factual, his allegation was valid. Contractor requests for progress payments were approved by the ACO without adequate review and scrutiny.

#### **4. Personnel Actions**

**Allegation.** "Prohibited personnel practices were committed which resulted in violation of, and total disregard for the merit principles."

**Background.** The complainant alleged that the Branch Chief of the Mid-East CAS Branch Office was selected for promotion to a GM-13 position at the U.S. Army Contracting Command, Europe, USAREUR Contracting Center, exactly 1 year to the week after getting promoted to a GS-12 position.

**Conclusion.** The Branch Chief referred to in the complaint received a competitive promotion to GS-1102-12, Supervisory Contract Specialist, on October 5, 1986, at his previous assignment. He accepted a reassignment and entered the Mid-East CAS Branch on March 7, 1988, as a GS-1102-12, Contract Administrator. During his tour at the Mid-East CAS Branch, the Branch Chief applied for and received a competitive promotion to GM-1101-13, Supervisory Contract Support Specialist (and "office chief"), on April 9, 1989. In December 1989, the Mid-East CAS Branch Chief was selected for reassignment to the Frankfurt office. The reassignment as a GM-1102-13, Supervisory Contract Administrator, was effective January 14, 1990. At the time of his transfer, the departing Branch Chief had over 9 months in grade, and the move was a reassignment, not a promotion. In our opinion, there was no violation of merit principles, and the allegation was unfounded.

## **5. Computer Software and Equipment**

**Allegation.** "Purchases of computer software and equipment were made without regard for specific requirements of the Federal Information Resources Management Regulations (FIRMR)."

**Background.** The complainant alleged that officials at the Mid-East CAS Branch, Tel Aviv, purchased approximately \$4,000 of computer software and equipment without properly justifying the purchase in accordance with the FIRMR so that funds expiring at the end of the fiscal year would not be lost. Reportedly, the Deputy Chief of the Contract Management Division at USAREUR Contracting Center, Frankfurt, verbally approved the purchase. In a telephone interview between the complainant and IG, DoD, Hotline personnel, the complainant acknowledged that the equipment was usable and would not be wasted by the Mid-East CAS Branch.

**Results of Review.** On April 27, 1989, the Chief, USAREUR Contracting Center, made a request to determine computer needs, including those of the Mid-East CAS Branch. The information was forwarded to the USAREUR Contracting Center by May 22, 1989, 4 months before the end of the fiscal year. USAREUR planned to identify its computer requirements so that if year-end funds became available, they could be used. The requirement clearly was identified before the end of the fiscal year. As the end of the fiscal year approached, and after it was determined that the funds were available, purchase requests were processed. In our opinion, the allegation was unfounded.

## **6. Motor Vehicle Rentals**

**Allegation.** "Motor Vehicles were rented for long-term use at rates that far exceed the purchase."

**Background.** The complainant alleged that in early 1989, the Branch Chief was responsible for leasing two Subarus for 1 year at a cost to the Government of \$24,000. The complainant stated that the lease had been extended for an additional 6 months with no option to purchase at the end of the lease. The complainant contended that if the vehicles had been purchased instead of leased, the Government would have realized a substantial savings. The complainant also alleged that AFCMC, Detachment 32, purchased vehicles through the U.S. Embassy in Tel Aviv, and that the Mid-East CAS Branch could have exercised the same diplomatic privileges.

**Results of Review.** Starting in November 1986, the Mid-East CAS Branch tried to obtain the funds to purchase two additional vehicles to carry out its mission. Some of the attempts are listed below.

- On November 18, 1986, the Chief, Quality Assurance, Mid-East CAS Branch, sent USAREUR Contracting Center a justification and a request for two additional vehicles.

- On August 10, 1987, an additional request was made to USAREUR Contracting Center for approval to purchase two vehicles.

- On August 16, 1988, Mid-East CAS Branch requested that its fiscal year 1989 budget include \$20,000 for the purchase of two new vehicles.

- On June 30, 1989, USAREUR Contracting Center made a request to the 200th Theater Army Maintenance Center for authorization to purchase additional vehicles for Mid-East CAS Branch, Tel Aviv.

Because of the need for additional vehicles and the lack of purchase funds, on May 2, 1988, the Chief, Mid-East CAS Branch, requested approval for the use of rental vehicles until approval to purchase was granted. Thus, a lease agreement, made on a competitive basis, was entered into for December 1988 through November 1989. Originally, the lease agreement was for two vehicles for 1 year but was later extended for two additional 6-month periods. The total of the combined 2-year leases was about \$52,000. If purchase funds had been available, both vehicles could have been purchased for significantly less than that amount.

We confirmed that AFCMC, Detachment 32, obtained approval to purchase vehicles from its headquarters. Once approval was obtained, the Detachment purchased vehicles locally through the U.S. Embassy. If approval had been obtained, the Mid-East CAS Branch could also have obtained vehicles through the U.S. Embassy.

The allegation was supported in that significant savings could have been realized if "purchase money" had been made available. However, in our opinion, the allegation did not have merit, since Army purchase funds were not made available to the Mid-East CAS Branch. When the office requested the funds, there was an operational need for the vehicles, and lease funds were available. With the October 1990 consolidation of the Mid-East CAS Branch and the AFCMC, Detachment 32 into DCMAO, Tel Aviv, an additional request was submitted for the local purchase of three vehicles; two to replace those that the former CAS Branch was leasing, plus an additional requirement.

## **7 and 8. Quality Assurance Acceptance of Material**

**Allegation 7.** "Government quality assurance personnel were accepting materials and components that were non-conforming to contractual requirements and in some cases were so far out of specification to render the materials useless."

**Allegation 8.** "Management was aware of fraudulently signed Government DD Form 250's (Material Inspection and Receiving Reports) and SF Form 1164's (Claim for Reimbursement for Expenditures on Official Business) yet no action was taken against those involved."

**Background.** The complainant alleged that the QAR signed DD Form 250's accepting 780 cover assemblies on Defense Construction Supply Center (DCSC), Columbus, Ohio, contract DLA700-87-C-1480 valued at approximately \$99,000. According to the complainant, the QAR was negligent in his responsibilities to the contracting officer, resulting in the acceptance of cover assemblies that were nonconforming to contract specifications and were, therefore, virtually worthless to the Government.

The complainant further alleged that a second contractor substituted materials on Defense Personnel Support Center (DPSC), Philadelphia, Pennsylvania, contract DLA100-86-C-4018. The contract was for the manufacture of approximately 300,000 stainless steel canteen cups. The complainant alleged that the canteen cups were not stainless steel.

**Results of Review.** Since these allegations primarily involved DLA contracts, DCIS reviewed the allegations and provided the following data.

DCIS contacted the Contracting Officer at DCSC, who stated that the DCSC drawings for contract DLA700-87-C-1480 included incorrect specifications. DCSC issued a stoporder on October 18, 1988, and the contractor is suing for contract termination cost. The Contracting Officer further stated that if the cover assemblies conformed to the drawings, they would not have been

acceptable for their intended purpose. DCIS sent an Information Report to its Dayton Field Office for future reference, and no further action is being taken. The allegations regarding this contract had merit in that the product was "virtually worthless" to the Government. However, it was the invalid contract specifications that caused the contract to be terminated. We found no evidence to support the allegation that cover assemblies were accepted by the QAR that were nonconforming to the invalid specifications.

On October 8, 1985, DPSC awarded contract DLA100-86-C-4018 to S. Hanany Metal Craft, Inc., for 298,350 canteen cups. In response to the allegations regarding this contract, DCIS contacted personnel at DPSC and determined that the contract had been terminated for default because of contract delinquencies. At the time of contract termination, only 16,000 of the required canteen cups had been delivered. The Associate Fraud Counsel, DPSC, stated that there had been no known quality problems found with the cups that had been delivered on the contract. DCIS provided its Philadelphia Field Office with an Information Report. No further action is being taken because the contractor was bankrupt, relatively few cups were delivered, and the QA representative had retired. DCIS decided that the issue was not worth further investigation.

## **9. Contract Award and Preaward Survey**

**Allegation.** "Management, including an Army colonel assigned to U.S. Army Communications Electronics Command (CECOM), directly interfered with the results of a preaward survey (PAS), which was being performed on a financially troubled contractor in Israel. The CECOM colonel was alleged to have advised the colonel at our headquarters in Frankfurt that 'He (Colonel . . . [hereafter referred to as Colonel A]) was going to be his (Colonel . . . [hereafter referred to as Colonel B]) boss as of August 1990 and that he (Colonel . . . [Colonel B]) should fax his positive comments (regarding the PAS) to his office immediately.'"

**Background.** The complainant alleged that two U.S. Army Colonels (Deputy Director of Procurement, CECOM [Colonel A], and Chief, USAREUR Contracting Center, [Colonel B]), acted jointly to ensure a contract award to Tadiran, Ltd. for repair parts for the ANVRC-12 radio. The USAREUR Contracting Center is the parent office of Mid-East CAS Branch. According to the complainant, the first PAS, conducted by the complainant, recommended that the contract not be awarded to Tadiran, Ltd. Colonel A contacted Colonel B and requested that the PAS be reevaluated with a view toward a positive award recommendation. During this time, it was known that Colonel A would soon become Colonel B's immediate supervisor. The complainant alleges that as a result of Colonel A's intervention, the PAS was subsequently changed to a favorable recommendation, and the contract was awarded to Tadiran, Ltd.



**Results of Review.** USACIDC conducted an investigation and found that on September 11, 1989, the complainant completed a PAS on Tadiran, Ltd. The complainant recommended no award because of the poor financial condition of the company and because of its inadequate reliability quality standards. The first PAS meeting was held at the USAREUR Contracting Center on September 20, 1989, and the PAS board recommended no award. After learning of the negative recommendation, Colonel A faxed a letter to Colonel B requesting that the PAS be reevaluated "with a view toward providing a positive recommendation." Responding to this request, Colonel B directed that a second PAS board be convened, stating that he was not satisfied with the first and that he wanted the PAS changed to positive.

On September 22, 1989, the second PAS board met. Two voting members were present instead of the usual four. Other board members could not attend the meeting because of either annual leave or temporary duty (TDY). The two members in attendance took exception to the negative findings in the original survey report as follows.

- **Quality Assurance Capability.** The board determined that since First Article testing <sup>\*</sup>/ was not required until approximately 9 months after award, there was sufficient time for Tadiran to correct its quality assurance problems.

- **Financial Capability.** At the urging of the Procuring Contracting Officer (PCO), the PAS board agreed that the complainant was not a financial analyst and that the financial data supplied by the complainant, including newspaper articles stating that the company had suffered heavy losses and was being reduced in manpower, should not be considered. Further, the PCO declined to extend the PAS in order to allow time necessary to perform a financial review by a qualified financial analyst.

- **Security.** The complainant recommended no award in this area based on observations he had made at the contractor's facility. Since this was not a classified contract, the PCO deleted the security requirement.

As a result of the second PAS board meeting, the PAS was changed to recommend award. This recommendation was based on Tadiran's action plan to correct its previous quality deficiencies.

The Chief, Quality Assurance Branch, Contract Management Division, USAREUR Contracting Center, Frankfurt, Germany, a voting member of the board, was not present at the second PAS.

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<sup>\*</sup>/ Before full production, the Government may require that the contractor produce preproduction, initial, test, or pilot samples. The samples are referred to as "First Article" items.

When interviewed by USACIDC, the Chief stated that he would not have recommended the award; however, his recommendation would not have affected the outcome because the PAS board still could have recommended the award, even with his negative vote. The Chief reviewed Tadiran's corrective action plan relating to the quality standards and was of the opinion that if Tadiran would stick to the plan, it would work.

According to the Chief, Communications Division, Product Assurance and Test Directorate at CECOM, Tadiran Ltd. was making progress in correcting its quality assurance problems. The equipment manufactured by Tadiran has had little or no problems, and CECOM has not received any complaints from the users of the equipment. In addition, the contract specialist for the Tadiran contract was of the opinion that Tadiran offered the best value of the several contractors that had submitted bids.

The Region Judge Advocate, Second Region, USACIDC reviewed the USACIDC report of the investigation and commented as follows.

CECOM wanted the radio parts contract awarded to Tadiran because the company had successfully manufactured the radio in the past, and time was running out on fiscal 1989 funds in September which encouraged an award of contract before October 1989. . . . There is no reason to believe that this was done for anything but to insure that the Army obtained needed radio parts from a firm who had successfully provided them in the past. . . . there is no mandate that a preaward survey be conducted before evaluating bids and awarding a contract. . . . The contracting officer was not bound by the non-approval recommendations of the informal preaward survey or the first preaward board, and in fact had made a specific finding of responsibility on 15 or 20 September 1989 just before the second preaward board came back with a positive recommendation. Thus any alleged attempts by . . . [Colonel A or Colonel B] to change these first two negative recommendations were not necessary before the contracting officer could award Tadiran the contract.

USACIDC concluded there was insufficient evidence to indicate any criminal offense. However, the results of the investigation supported the contention that the contract should not have been awarded, that Colonel A influenced Colonel B and the second PAS board because of the imminent superior/subordinate relationship, and that the award was expeditiously concluded in favor of a preferred contractor in order to take advantage of year-end funds. The negative PAS report notwithstanding, an award still could have been made, with proper approvals and documentation, to a selected contractor.

The USACIDC's investigation has been forwarded to the Department of Army and DCMC for further review. Although the allegation had merit, no criminal violations were discovered. However, at a minimum, high-level procurement personnel acted in a manner that gave the appearance of impropriety.

#### 10. Official Travel

**Allegation.** "Management knowingly used program appropriated funds for travel to Israel for the purpose of touring the country, using the program as a guise."

**Background.** The complainant alleged that three employees of the USAREUR Contracting Center (hereafter referred to as Employees A, B, and C) used program appropriated funds for travel to Israel for the purpose of touring the country. Even though employees A, B, and C had legitimate reasons for travel to Israel, the complainant said they abused the travel by spending most of the time on personal holiday.

In conversation with DoD Hotline personnel, the complainant alleged the following.

In March 1990 . . . [Employee A] came to Israel TDY [temporary duty] to provide review and surveillance on two programs; IMI Haifa was a Navy program, and Vulcan was an Army program. He spent a total of 1 day at the two contractors and then 3 to 4 days touring Israel at Government expense, including the use of a vehicle. . . . During the week of January 7, 1990, . . . [Employee B] came to Israel TDY and spent the most of his time touring. . . . During the September/October 1989 time frame, . . . [Employee C] went TDY to Israel and managed to fit in an all-day personal trip to Jerusalem.

**Security Considerations.** The American Embassy, Tel Aviv, routinely provides "Travel Alert" notices concerning security recommendations for travel in Israel. Because of political unrest in the area, increased security measures are imposed by the Regional Security Officer on all U.S. Government employees on official business. For example, Staff Notice No. 89-057, dated July 25, 1989, specifically discouraged the use of all public transportation by U.S. Government personnel in Israel. Due to repeated acts of violence, Jerusalem was declared off-limits to official visitors at night, on Fridays, and on designated strike days. Part of Jerusalem is included in the occupied West Bank territory. In traveling through the city, there is no indication of where the State of Israel ends and the occupied territory begins. Additionally, the CAS Branch Chief was required to attend all security briefings sponsored by the American Embassy, thus providing additional insight concerning conditions.

Considering the political climate in Israel and in the interest of personnel safety, the Mid-East CAS Branch Chief made a conscious decision to allow for the use of Government vehicles by official visitors traveling to and from high-threat areas. The unofficial (unwritten) policy at the Mid-East CAS Branch was to provide transportation and escort service to Jerusalem (a high-threat area) for official visitors. The Branch Chief felt that visitors should be accompanied by someone familiar with the general area and should be provided transportation by Government vehicle to minimize the possibility of an international incident. Unofficial expenses, such as gasoline, were to be paid directly by the user, and unofficial trips were to be taken either while the visitor was on annual leave or on weekend days off.

The common practice of Headquarters personnel traveling to Israel and using official vehicles implies tacit approval of those actions. Consequently, Mid-East CAS Branch personnel did not view these actions as violations of work ethics.

**Results of Review.** The USAREUR Contracting Center is a headquarters element for the CAS Branch Office and is located in Frankfurt, Germany. Travel to Israel requires about a 4-hour airline flight. In Israel, the normal work week is Sunday through Thursday.

A review of Employee A's travel voucher, trip report, and supporting documentation show that the employee was TDY to Israel March 19 through March 26, 1990. Employee A arrived in Tel Aviv Monday, March 19, at approximately 4:00 p.m. and arrived at the Mid-East CAS Branch Office on March 20. Employee A took annual leave on March 21 and 22. The next 2 days, March 23 and March 24, were Israeli weekend days off. Employee A returned to the Mid-East CAS Branch Office on Sunday, March 25, and departed Tel Aviv on Monday, March 26, at 4:30 P.M. Employee A's trip report stated that he received a briefing and plant tour of the VLS facility, URDAN metal plant, and Tadiran. The Chief, Mid-East CAS Branch, accompanied Employee A to Jerusalem. However, both were on annual leave. Transportation to Jerusalem was by the Mid-East CAS Branch Office van, and Employee A provided a \$100 check for gas consumption and other miscellaneous expenses. Although the allegation is true that Employee A spent several days touring Israel, leave was appropriately identified, travel (touring) expenses were not claimed, and the Government did not incur or pay any additional expenses.

Employee B was on TDY to Tel Aviv, January 13 through January 20, 1990, to facilitate the change of command at the Mid-East CAS Branch. During Employee B's visit, Employee B also performed a management review of the office and officially visited with the Israeli Ministry of Defense. Employee B, along with the incoming and outgoing Mid-East CAS Branch Chiefs, visited Jerusalem. The

trip was in an official capacity to familiarize the incoming Branch Chief with the area. The allegation concerning Employee B was unfounded, in that all activity was performed in an official capacity.

Employee C was not on TDY to Israel during September and October 1989 as alleged. However, we located a voucher for TDY to Israel which began on Friday, August 25, 1989, and ended on Thursday, August 31, 1989. A review of the travel voucher disclosed that per diem was requested and received for the entire period. We determined that Employee C took a day away from his official duties to tour Jerusalem and that the former Branch Chief directed that an additional employee act as driver for Employee C and tour guide. Details are presented in Part III of this report. The allegation was determined to be valid.

### PART III - FINDING AND RECOMMENDATIONS

#### TEMPORARY DUTY IN ISRAEL

A supervisory employee performed TDY travel to Israel and claimed travel expenses for initiating travel earlier than authorized and also when not on official TDY. The employee did not exercise prudence in initiating travel and in claiming travel expenses. As a result, per diem was overpaid, an additional employee was directed to act as driver in lieu of official duties, and the Government lost a day's work for each employee.

#### DISCUSSION OF DETAILS

An employee (referred to as Employee C, Part II, allegation 10, Official Travel) of the USAREUR Contracting Center was assigned to TDY at the Mid-East CAS Branch Office in Tel Aviv, Israel. The approved travel orders provided for Employee C to proceed to the assignment on or about Saturday, August 26, 1989. An employee at the Mid-East CAS Branch (hereafter referred to as Employee D), stated that Employee C took a 1-day tour of Jerusalem and that the former Branch Chief ordered Employee D to drive Employee C on the tour. Employee D declined to sign a formal statement, fearing possible reprisal.

When interviewed, Employee C confirmed that he had made a trip to Israel, departing Germany on Friday, August 25, 1989, a day earlier than authorized on his orders. Employee C reported to work on Sunday morning, the beginning of the normal work week in Israel. When Employee C completed his temporary assignment early, he took a 1-day tour to Jerusalem. Employee C maintained that having worked on Sunday, he was entitled to take a day off during midweek to compensate. Employee C recalled that he was driven by an office employee but did not recall if a Government vehicle was used. Employee C also could not recall providing reimbursement for expenses. Employee C then returned to Germany on Thursday, the end of the Israeli work week. Employee C requested and was paid per diem for 6-1/2 days; however Employee C worked only 3 days.

The Joint Travel Regulation, Part C1058 states that "Whenever possible, travel will be scheduled so that employees travel during their regular hours of duty . . ." The same part further states:

In connection with a temporary duty assignment which will require commencement of duty on a Monday (e.g., to attend a conference at 8:00 a.m. on a Monday morning), if the employee departs the permanent duty station on a Friday in order to travel during regular duty hours, payment of per diem will be limited to that payable on the basis of a constructive schedule (e.g., as though departure had been on a Sunday).

In this instance, Employee C departed on Friday to report to work on Sunday, the beginning of the Israeli work week. Per diem should have been limited to a constructive schedule, as though departure had been on Saturday.

The "day off" during the middle of the week should have been considered as "leave without pay". Employee C was clearly not at his assigned temporary duty station, nor was he performing work-related assignments. Employee C did not request, and have approved in advance, 1 day's leave. Except for personal reasons, Employee C should have departed on TDY 1 day later and should have returned to his official duty station 1 day earlier.

#### RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

1. We recommend that the Chief, U.S. Army Europe Contracting Center, initiate appropriate administrative disciplinary action against the former Branch Chief who ordered an employee to perform duties not consistent with his position.

Army comments. The Acting Director, U.S. Army Contracting Support Agency, concurred with the recommendation and stated that appropriate administrative corrective action has already been taken and that the former branch chief has been counseled on the nature of the violations and how to handle such matters in the future. See Part V for a complete text of management comments.

Audit response. The actions taken by the Army are responsive to the Recommendation.

2. We recommend that the Commander, Defense Contract Management Area Operations, Frankfurt, Germany :

a. Recover unauthorized travel expenses from Employee C.

b. Initiate appropriate administrative disciplinary action against Employee C for failing to take leave while not at his assigned duty station and for submitting a false travel claim.

Defense Logistics Agency comments. The DLA nonconcurred with recommendations and stated that the offense occurred over 2 years ago while the employee worked for a predecessor agency and that any recovery would not be cost-effective. See Part V for a complete text of management comments.

Audit response. We agree that censuring the employee now would be more difficult. However, we cannot condone allowing a Government employee to commit wrongdoing. The deterrent value of a disciplinary action is the issue here, not the amount of money that may be directly recouped. Even though the monetary benefits are not significant (see appendix D), we request the Director, DLA, reconsider his position on these recommendations.

#### PART IV - ADDITIONAL INFORMATION

- APPENDIX A - Congressman Nicholas Mavroules Letter of  
April 17, 1990
- APPENDIX B - Letter to Congressman Mavroules
- APPENDIX C - List of Investigative Reports
- APPENDIX D - Summary of Potential Benefits Resulting from  
Audit
- APPENDIX E - Activities Visited or Contacted
- APPENDIX F - Report Distribution



## 1990

19

## APPENDIX B: LETTER TO CONGRESSMAN MAVROULES

JSACCE-15  
Sus  
APU NY 09672-0008  
March 30, 1990

U. S. House of Representatives  
Committee on Armed Services  
Subcommittee on Investigations  
Attn: Mr. William Fleischman  
2339 Rayburn Office Building  
Washington DC 20515

Dear Mr. Fleischman:

Several days ago I spoke to you regarding a number of irregularities and violations of U. S. Laws that have been occurring at my current duty station, Tel-Aviv, Israel. The following is a list of examples of some irregularities and illegal activities being committed here in Israel, at our headquarters in Frankfurt and at other remote locations within the European Theater of Operations:

1. Retaliation, in the form of administrative actions which are expressly prohibited by the Whistle Blower Protection Act of 1988, was committed against me because I reported improper activities;
2. Failure to investigate improper business practices and personal conflicts of interest in violation of the Federal Acquisition Regulation (FAR); specifically, FAR 3.203 were commonplace;
3. Payment of progress payments on all contractor requests were done without adequate review and scrutiny, in violation of FAR 32.503-5;
4. Prohibited personnel practices were committed which resulted in violation of, and total disregard for the merit principles;
5. Purchases of computer software and equipment were made without regard for specific requirements of the FIRMR;
6. Motor vehicles were rented for long term use at rates that far exceed the purchase price;
7. Government quality assurance personnel were accepting materials and components that were non-conforming to contractual requirements and in some cases were so far out of specification to render the materials useless;
8. Management was aware of fraudulently signed government DD Forms 250's (Material Inspection and Receiving Reports) and SF Forms 1184 (Claim For Reimbursement for Expenditures on Official Business) yet no action was taken against those involved;
9. Management, including an Army Colonel assigned to U. S. Army Communications Electronics Command (CECOM), directly interfered with the results of a Presaved Survey (PAS) which was being performed on a financially troubled contractor in Israel. The CECOM

APPENDIX B: LETTER TO CONGRESSMAN MAVROULES (continued)

Colonel was alleged to have advised the Colonel at our Headquarters in Frankfurt that "He (Colonel \* ) was going to be his (Colonel \* ) boss." of August 1990 and that he (Col. \* ) should fax his positive comments (regarding the "AS" to his office immediately."; and

10. Management knowingly used program appropriated funds for travel to Israel for the purpose of touring the country; using the program as a guise.

I am requesting your assistance in having the DoD Inspector General (IG) initiate an investigation or investigations as necessary to identify each of the persons involved; the specific areas of law and regulations that they violated; and their degree of involvement. My immediate concerns are that this organization is slated to be absorbed into the newly formed Defense Contract Management Command (DCMC) and these criminals will be integrated into a hierarchy within the Defense Logistics Agency whereby their identification and assessment of the specific degree of involvement will be delayed to the extent that they will get off scott free. I am also concerned that the merger of Contract Administration Offices (CAOs) overseas will be used as an excuse or justification to delay the necessary oversight and investigation.

I know from personal experience that the management organization in our Headquarters at Frankfurt Germany is committed to violating the rights of those persons who believe they are legally obligated to report improper activities, and violations of laws or regulations. I have been advised by people in Frankfurt that Colonel \* was a personal friend of the commander of the local investigations organization there and that previous reports of illegal or improper activities were never investigated properly. I was therefore compelled to report my suspicions and the knowledge I had of improper actions through the chain of command to my immediate supervisor on several occasions. This individual, the ACO, Mr. \* repeatedly advised me that he would take care of the problem or that my specific concerns were about areas not within the scope of my job and therefore, not areas for me to worry about. It did not take long for me to begin to suspect that he was either directly involved or he lacked the necessary experience and background to understand the seriousness of the statements I was making and the concerns I had and still have. My personal experience is evidenced by the fact that my tour in Israel was curtailed early and I am returning to my former position as a staff industrial specialist at Defense Contract Administration Services Region (DCASR) Philadelphia.

To provide a little background, I applied for and was accepted to the position of industrial specialist in Israel. I was hired by the U. S. Army Contracting Command, Europe, USAREUR Contracting Center Frankfurt Germany to be stationed in Tel-Aviv, Israel. I departed Philadelphia on 17 April and reported at Frankfurt Germany on 18 April 1989. I spent approximately eight days on temporary duty (TDY) at Frankfurt and reported to Tel-Aviv on April 28th. Within a relatively short period of time I began to realize that the organization I was working for was out of control,

We had Quality Assurance Representatives (QARs) on staff who lacked any semblance of objectivity in dealing with Israeli contractors. We had a QAR on staff who was formerly employed by the same Israeli contractor that he was now charged with providing QA oversight on. It was later determined that this same individual was hired illegally within the State of Israel as a GS-1910-12 although he lacked the necessary qualifications, training and experience to be employed at a grade higher than a GS-09. We had a QAR on staff who was instrumental in establishing this office in Israel and who repeatedly failed to ensure that materials accepted were fully compliant with MIL-Q-9458 or MIL-I-45206. This same QAR, a Mr. \* , was known to have accepted gratuities in various forms from Israeli contractors and to have either signed DD Forms 250 without

\* Name deleted due to "Privacy Act" considerations.

## APPENDIX B: LETTER TO CONGRESSMAN MAVROULES (continued)

inspecting materials or submitting falsified claims for reimbursement for travel costs. The former QA Supervisor, Mr. \* , was said to have done nothing but sit in his office gazing out over the highway during his tenure in Israel. We had a transportation specialist on staff who provided extraordinary service for certain contractors but failed for months to ship materials that the U. S. Government had accepted on DD Form 250 for other contractors. This same person used the exclusive services of one freight forwarder without the benefit of competition and even solicited work for him on contracts where she had no involvement.

Mr. \* , who was the local office chief and ACO; his supervisors at Frankfurt, Mr. \* , Deputy Chief of the Contract Management Division and Colonel \* , the Chief of the USAREUR Contracting Center, were aware of these improper and illegal activities yet they chose to ignore them. There is written documentation indicating that each of these individuals had knowledge of Mr. \* illegal activities yet they elected to not report them nor take actions which were legally necessary and required.

My personal tale of retaliation begins in November 1989 when I felt that I could no longer tolerate Mr. \* failure to take action to ensure that the transportation specialist did her job properly. On November 2, 1989 I sent several pages of information to the Production Chief at Frankfurt. The transportation specialist in Israel, a third country national from the United Kingdom, Mrs. \* , was assigned in the organizational structure, to an individual who was physically located in Germany. While she received local supervision from the Office Chief, Mr. \* , her actual supervisor was Mr. \* , a retired military officer. Mr. \* worked for Mr. \* , the Production Chief in Frankfurt, the individual I sent my information to. I have known Mr. \* for several years and I knew that he would at minimum, have Mr. \* look into my allegations. I have enclosed a copy of the information I sent to Mr. \* as enclosure (1). During recent discussions with Mr. \* , it became evident, that as expected, he directed Mr. \* to look into my allegations during the time he would be filling in for Mrs. \* while she was on vacation, during December 1989.

The tale continues with my departure for the U. S. for a needed rest on December 17, 1989. While staying at my sister's residence, I received a call from Mr. \* on or about January 8, 1990. He asked me when I was returning to Israel. I knew that something was wrong since he was the approving official on my leave request and had access to the date at the office. When I arrived back at my residence in Israel, I reviewed my mail and found the letter from Mr. \* dated 8 January 1990 that is attached as enclosure (2). This letter states that Mr. \* provided Mr. \* with a copy of the letter that I wrote to Mr. \* . In his letter Mr. \* says that my letter was "unprofessional, slanderous, divisive and without merit." He also states "I have discussed this situation with the Deputy Chief (Mr. \* ) and the Chief of the Contract Management Division (Major \* ). On my return to the office I was handed a letter that was not dated at the time but on my insistence was hand dated January 17, 1990 by the new office chief and ACO, Mr. \* . Mr. \* was apologetic and indicated that he was directed to be the bearer of bad tidings, not a very good way for two people to meet for the first time. This letter from the Chief of USAREUR Contracting Center Frankfurt, Colonel \* , stated "I have reviewed your behavior and concluded that you have not adjusted to the environment in Israel. Accordingly, you are directed to leave Israel not later than January 24, 1990." A copy of this letter is attached as enclosure (3).

I guess when you blow the whistle on people who are breaking laws or not doing their jobs, Army Colonels and GM-13's perceive that as "not adjusting." The actions taken

\* Name deleted due to "Privacy Act" considerations.

APPENDIX B: LETTER TO CONGRESSMAN MAVROULES (continued)

against me are clearly retaliatory for my whistle blowing since I had been in Israel for in excess of eight months and will have been here for over a year when I depart on May 2, 1990. I did nothing illegal nor embarrassing to the United States Government. I established cordial relationships with several members of the staff of the United States Embassy in Israel. I received my performance appraisal which was signed by me and Mr \*

\* on December 11, and by Mr. \* on December 14, 1989. Out of the five elements I was rated on, I met the requirements for one and exceeded the requirements for the other four. How could my so called "failure to adjust" warranted an appraisal such as this? How could this superior performance have degraded in less than a month, in actuality just eight days since I was on leave from 17 December 1989 through 17 January 1990. Degraded to the extent that it warranted disrupting my life by sending me packing. I have been led to believe that these individuals have amassed a folder of allegations or less than adequate behavior on my part yet they are sending me home administratively. This means that they have essentially released me from my two year obligation early. In other words, I have satisfactorily completed my tour.

As a taxpayer, I am outraged because these individuals took the actions they did with no other motivation than to retaliate for my reporting improper activities. They did not consider the cost to the Government and taxpayers; nor did they consider the hardships placed on me. Their actions have endangered the military personnel who are the end users of the supplies and equipment that are being procured on contracts that this office administers. As the lone Industrial Specialist assigned to Israel, my absence will require the expenditure of TDY funds to provide PAS support to Continental United States (COMUS) procurement activities. The little oversight that I was beginning to provide for the millions of dollars in progress payments made to Israeli manufacturers will cease with my departure. I understand that an exemption to the current DoD hiring freeze was recently forwarded for filling my job.

The one lesson learned from my time here in Israel is the Army in Europe penalizes excellence and rewards incompetence. I appreciate any assistance that you and your office can provide in getting this situation rectified. I will be in Israel until May 2, 1990. If you or any other investigative organization need to contact me, our work week here Sunday through Thursday. There is a seven hour difference between Eastern Daylight Time and Israel time. We are seven hours later. I can be contacted at the address above or telephone at 011 372 52 546645 between 7:30 AM and 4:30 PM. When I return to the U.S. I will be staying in a hotel until I arrange for an apartment. I should be at DCASR Philadelphia on 7 May and will be at or in the immediate area of telephone number 1-215-952-4011 during the afternoon of that date.

Thank you again for any assistance you can provide.

Sincerely yours,

\*

\*

\* Name deleted due to "Privacy Act" considerations.

# APPENDIX C: LIST OF INVESTIGATIVE REPORTS

<u>Agency</u>	<u>Type of Report</u>	<u>Report Number</u>	<u>Title of Report</u>
USACIDC	Report of Investigation	0079-90-CID507-17020	*
USACIDC	Report of Investigation	0080-90-CID507-17021	*
USACIDC	Report of Investigation	0081-90-CID507-17022	*
USACIDC	Report of Investigation	0082-90-CID507-17023	*
USACIDC	Report of Investigation	0085-90-CID507-17024	*
USACIDC	Report of Investigation	0087-90-CID507-17025	*
USACIDC	Report of Investigation	0088-90-CID507-17026	*
USACIDC	Action Record	0045-90-CID507	Target Analysis Israel
USACIDC	Action Record	0049-90-CID507	CECOM/Tadiran Procurement
USACIDC	Action Record	0064-90-CID507	Target Analysis Progress Payments
USACIDC	Action Record	0078-90-CID507	*
USACIDC	Action Record	0084-90-CID507	S. Hanany Metal Craft, Inc.
DCIS	Information Report	9110113H-17-OCT-90-60WB-IR-(E2)	*
DCIS	Information Report	9110114H-17-OCT-90-60WB-IR-(E2)	S. Hanany Metal Craft, Inc.

\* Name deleted due to "Privacy Act" considerations.

**APPENDIX D: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT**

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Type of Benefit</u>
1.	Compliance with regulations.	Nonmonetary
2.a. and 2.b.	Compliance with Joint Travel Regulations.	Undetermined */

\*/ An insignificant amount (less than \$300) will be obtained by the recovery of unauthorized travel expenses.

## APPENDIX E: ACTIVITIES VISITED OR CONTACTED

### Department of the Army

Assistant Secretary of the Army (Procurement), Washington, DC  
U.S. Army Europe, Heidelberg, Germany  
U.S. Army Contracting Command, Europe, Heidelberg, Germany  
U.S. Army Europe Contracting Center, Frankfurt, Germany  
Mid-East CAS Branch, U.S. Army Contracting Command, Europe,  
Tel Aviv, Israel  
U.S. Army Communications Electronics Command, Fort Monmouth, NJ  
266th Theater Finance Command, Heidelberg, Germany  
Headquarters, Second Region, U.S. Army Criminal Investigation  
Command, Mannheim-Seckenheim, Germany  
Europe Fraud Team, Second Region, U.S. Army Criminal  
Investigation Command, Frankfurt, Germany  
Frankfurt Military Community, Civilian Personnel Office,  
Frankfurt, Germany

### Department of the Air Force

Detachment 32, AFCMC, Tel Aviv, Israel

### Other Defense Activities

Defense Logistics Agency, Alexandria, VA  
Defense Contract Management Command, Alexandria, VA  
Defense Contract Management Command International, Wright-  
Patterson Air Force Base, OH  
Defense Contract Management Area Office, Tel Aviv, Israel  
Defense Construction Supply Center, Columbus, OH  
Defense Personnel Support Center, Philadelphia, PA  
Office of Counsel, Defense Logistics Agency, Wiesbaden, Germany  
Defense Contract Audit Agency, Northeastern Region, European  
Branch Office, Wiesbaden, Germany  
Inspector General Regional Office Europe, Wiesbaden, Germany

### Non-DoD Activities

United States Embassy, Tel Aviv, Israel  
Criminal Investigation Division, Israeli National Police, Jaffa,  
Israel  
Financial Management Service, Department of the Treasury,  
Washington, DC



**APPENDIX E: ACTIVITIES VISITED OR CONTACTED (continued)**

**Contractors**

Ashot Ashkelon Industries, Ashkelon, Israel  
Israel Military Industries, Haifa Division, Haifa, Israel  
Israel Aircraft Industries, Ltd., Technologies Division/RAMTA  
Structures & Systems, Beersheba, Israel  
IMCO Industries Ltd., Tel-Hanan, Israel  
Reshef Systems Ltd., Haifa, Israel  
Tadiran Ltd., Tel Aviv, Israel

## APPENDIX F: REPORT DISTRIBUTION

### Office of the Secretary of Defense

Director of Defense Procurement

Assistant Secretary of Defense (Production and Logistics)

Assistant Secretary of Defense (Public Affairs)

Comptroller of the Department of Defense

### Department of the Army

Secretary of the Army

Assistant Secretary of the Army (Financial Management)

Assistant Secretary of the Army (Research, Development, and Acquisition)

Commander In Chief, U.S. Army, Europe

U.S. Army Criminal Investigation Command

Commander, Second Region, U.S. Army Criminal Investigation Command

Inspector General of the Army

### Department of the Navy

Auditor General, Naval Audit Service

### Department of the Air Force

Air Force Audit Agency

### Other Defense Activities

U.S. Commander In Chief, Europe

Defense Logistics Agency

Defense Contract Audit Agency

Defense Contract Management Command

Defense Contract Management Command, International

DoD Inspector General Regional Office Europe

### Non-DoD Activities

Office of Management and Budget

U.S. General Accounting Office, NSIAD Technical Information Center

### Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Governmental Affairs

Senate Ranking Minority Member, Committee on Armed Services

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Ranking Minority Member, Committee on Appropriations

House Committee on Armed Services

House Subcommittee on Investigations, Committee on Armed Services

House Committee on Government Operations

House Subcommittee on Legislation and National Security,

Committee on Government Operations

Representative Nicholas Mavroules

**PART V - MANAGEMENT COMMENTS**

Department of the Army

Defense Logistics Agency

**MANAGEMENT COMMENTS: DEPARTMENT OF ARMY**



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
U.S. ARMY CONTRACTING SUPPORT AGENCY  
6100 LEESBURG PIKE  
FALLS CHURCH, VIRGINIA 22041-3201



REPLY TO  
ATTENTION OF

18 NOV 1991

SFRD-KI

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE,  
ATTN: AFU, 400 ARMY NAVY DRIVE, ARLINGTON,  
VIRGINIA 22020-2884

SUBJECT: Congressional Request at U.S. Army Contract  
Administration Services Branch Office, Tel Aviv,  
Israel (Project OCD-0067.01)

1. This is in response to your request for comment on subject draft audit report. Prior to commenting, clarification is appropriate. The two recommendations are incorrectly directed. Employee C is currently an employee of the Defense Contract Management Area Operations-Frankfurt, while the Branch Chief is a current employee of the U.S. Army Europe Contracting Center. In view of this, we are commenting on the recommendation concerning corrective action for the Branch Chief and not employee C.

2. Concur with finding and recommendation. Appropriate administrative corrective action has already been taken against the former Branch Chief. He has been made aware of the nature of the violation and counseled on how to handle such matters in the future.

3. For more information contact LTC Heath, commercial (703) 756-7572 or DSN 289-7572

*J. Bruce King*  
J. Bruce King  
Acting Director

CP:  
SAIG-PA  
SARD-DE  
DAJA-KL  
AEAPR

**MANAGEMENT COMMENTS: DEFENSE LOGISTICS AGENCY**



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY  
REFER TO

DLA-CI

18 NOV 1991

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE FOR AUDITING,  
DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report of Congressional Request U.S. Army  
Contract Administrative Services Branch Office, Tel  
Aviv, Israel, September 16, 1991 (Project No.  
OCD-0067.01)

This is in response to your FAX of November 15, 1991 redirecting  
recommendation 1, of subject audit report to the Commander,  
Defense Contract Management Operations, Frankfurt, Germany. The  
attached position has been approved by Ms. Helen T. McCoy, Deputy  
Comptroller, Defense Logistics Agency.

1 Encl

JACQUELINE G. BRYANT  
Chief, Internal Review Division  
Office of Comptroller

**MANAGEMENT COMMENTS: DEFENSE LOGISTICS AGENCY (continued)**

**TYPE OF REPORT: AUDIT**

**DATE OF POSITION: 18 Nov 91**

**PURPOSE OF POSITION: INITIAL POSITION**

**AUDIT TITLE: Congressional Request U.S. Army Contract  
Administration Services Branch Office, Tel Aviv,  
Israel (Project No. OCF-0071)**

**RECOMMENDATION 1: We recommend that the Commander, Defense Contract  
Management Area Operations, Frankfurt, Germany:**

a. Recover unauthorized travel expenses from Employee C.

b. Initiate appropriate administrative disciplinary action  
against Employee C for failing to take leave while not at his  
assigned duty station and for submitting a false travel claim.

**DLA COMMENTS: Nonconcur.** The employee was employed by the Army  
when the condition occurred; therefore, DLA has no authority for  
disciplinary action. Additionally, the audit report does not contain  
sufficient information to establish that the employee knowingly and  
willfully violated the regulations. Further, the conduct that forms  
the basis for this recommendation took place in August 1989 when the  
employee worked for the Army. No action was taken at that time and  
now, over two years later, the employee has been transferred to DLA.  
In light of the length of time that has elapsed as well as the  
nature of the purported offense, it would appear that continued  
prosecution of this matter would cost the government far more than  
would be effected in recovery. Further, since any action would have  
to be initiated by the employee's current supervisor, who has no  
knowledge of the events that transpired, proving any changes at this  
point would be very difficult. Recommend no further action be  
taken.

**DISPOSITION:**

(X) Action is considered complete.

**ACTION OFFICER: Larry Phillips, DCMCI-A, DSN787-2950**

**PSE REVIEW/APPROVAL: Larry Phillips, DCMCI-A, DSN787-6581, 8 Nov 91**

**DLA APPROVAL: Helen T. McCoy**

**LIST OF AUDIT TEAM MEMBERS**

David K. Steensma, Director, Contract Management Directorate  
Paul J. Granetto, Deputy Director  
Wayne K. Million, Program Director  
Stephanie F. Mandel, Deputy Project Manager  
Robert A. Harris, Auditor  
Tyler Apffel, Auditor